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SUBJECT: Taiwan: Budget for Third Naphtha Cracker
Expansion Project Axed

REF: Taipei 0551

¶1. On March 22 the Legislative Yuan's (LY) Economic Committee rejected the Third Naphtha Cracker expansion project in Linyuan Township, Kaohsiung County, planned by the state-owned Chinese Petroleum Corporation (CPC). The Legislators on the Committee also refused to approve the project's USD73 million budget. Hundreds of local residents, who had protested at the LY, welcomed the decision to stop the project from being built in their hometown.

¶2. DPP Legislator Chen Chi-li (Kaoshiung County), who initiated opposition against the expansion project, complained that the petrochemical industries operating in the Linyuan Petrochemical Zone, including CPC's facilities, had long polluted the area's environment and presented a serious threat to residents' health. Chen noted that local residents were not opposed to CPC's investments in upgrading the existing production technology. However, they disapproved that the new facilities would be built on a site so close to a residential area.

¶3. In response, Ho Li-jun, Planning Director of CPC's Petrochemical Division, noted that CPC is willing to downsize the expansion project and have the facilities constructed within the existing zone. Ho went on to say that Legislators supporting the project are planning to negotiate with their LY colleagues to seek resumption the project. Meanwhile, CPC also will arrange meetings to pursue project approval by residents. Ho said that CPC will not implement the project until the local community approves it.

¶4. Ho noted CPC's cracker expansion project can substantially improve the development of Taiwan's petrochemical industry. The new cracker facilities will ensure production material supply to local petrochemical downstream industries. Additionally, when CPC successfully expands the project, four additional petrochemical downstreamers in southern Taiwan will also start their expansion projects planned for the Linyuan and Jenta Petrochemical Zones in Kaohsiung County. According to Ho, the four prospective investors are Taiwan Styrene Monomer Corporation (TSMC), Grand Pacific Petrochemical Corporation

(GPPC), Oriental Union Chemical Corporation (OUCC), and China Man-Made Fiber Corporation (CMFC). TSMC and GPPC each will invest USD325 million to produce styrene monomer (SM), while OUCC and CMFC will invest USD550 million and USD470 million respectively to produce Ethylene Glycol. The four expansion projects are expected to generate approximately USD1.5 billion in production value each year.

Thiele

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